Human Resources Transformation in Public Sector Organizations

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This study is sponsored by:

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I. Executive Summary

Public sector entities, especially governments, continually strive to do more with less. To deal with this seemingly conflicted agenda, organizations must identify innovative ways to increase efficiency and lower costs while maintaining quality services. These efforts face numerous challenges and the Human Resources (HR) operation often becomes a key area in which this struggle plays out. Public sector HR professionals must confront a variety of barriers including antiquated information technology (IT) systems, lack of management support and inadequate funding. At the same time, public sector HR professionals continue to grapple with emerging issues caused by an aging workforce and increased competition with the private sector for employees.

However, despite these and other challenges, public sector HR departments and professionals continue to transform operations and service delivery. Transformation may range from simple process improvements to the implementation of a new service delivery model. With these issues in mind, the International Public Management Association for Human Resources (IPMA-HR) launched a comprehensive study into HR transformation within the public sector. The experience of public sector HR professionals pursuing transformation and the tools they utilize are among the critical issues IPMA-HR sought to address. This study will focus on the following issues:

1. What is the current state of HR transformation in public sector organizations?
2. What do public sector HR professionals identify as the key impediments and key enablers in pursuing HR transformation?
3. What tools and techniques are public sector HR professionals utilizing to pursue transformation?
4. How do public sector HR professionals perceive transformation in their future plans?

The IPMA-HR research effort was sponsored by ACS. EquaTerra conducted the research study, performed the analysis and developed this report on behalf of IPMA-HR. EquaTerra surveyed more than 200 senior-level HR professionals to better understand transformation within public sector organizations during March 2006. The respondents were primarily in the United States and Canada and represented all major public sector categories.

Overall Study Results

- Public sector HR professionals recognize the value of transformation and identify transformation as being important in their future plans.

- Public sector HR professionals recognize a link between upgraded IT systems and successful HR transformation.

- Workforce and succession planning is an important priority for public sector HR departments, but an area that still requires transformation and improvement.

- Management support is critical in pursuing HR transformation, yet management often does not recognize HR as a priority for change or as a strategic asset to the organization as a whole.

- Public sector HR professionals do not readily recognize outsourcing as an important tool for HR transformation.

Key Findings

Predominant HR operating model	>>>	Fully or some shared services
Predominant IT infrastructure	>>>	Moderate use of IT in HR
Satisfaction with IT systems/applications?	>>>	Moderate to low
Quality of HR people/processes?	>>>	Moderate to high
Successful as a strategic asset?	>>>	Somewhat
Area most commonly outsourced	>>>	Retirement plan management
Area least commonly outsourced	>>>	Orientation, recruitment or workforce planning
Area most commonly under shared services model	>>>	Benefits
Area least commonly under shared services model	>>>	Union contract negotiations
Does organization have a brand identity?	>>>	No
Process most likely to already be transformed	>>>	Benefits
Is transformation important to future?	>>>	Yes
Key barrier for transformation	>>>	Lack of funds
Key enabler of transformation	>>>	Strong management support
HR area needing the most transformation	>>>	Workforce planning
Top priority for HR	>>>	Manage benefits costs
Mandate to transform?	>>>	No

II. Introduction

While transforming key HR functions has the potential to yield lasting improvements, it does not come without its own obstacles.

An aging workforce, loss of institutional knowledge, increased competition from the private sector – these are all important challenges that today's public sector HR professionals face. Transformation, the act of significantly improving the processes associated with specific HR functions, can help to combat these challenges while creating cost savings and increasing staff efficiency. Transformation can be pursued in a variety of ways utilizing a variety of tools. While transforming key HR functions has the potential to yield lasting improvements, it does not come without its own obstacles. This study explores the complexities and conflicting agendas surrounding transformation.

An HR department lacks visibility as a strategic partner to the organization yet is responsible for what is considered the public sector's more critical resource – its people. Failing legacy IT systems hinder process improvement efforts within HR, but IT decision making falls outside the realm of HR leadership. The lack of funding is an ever-present issue and is especially urgent when HR is forced to compete with other parts of the organization for resources. And at the center of it all, HR must continue to provide essential core services day in and day out. HR departments are finding ways to work around these barriers and transformation is happening in public sector organizations. Since the majority of survey respondents also indicate that transformation is an important part of their future plans, transformation is likely to continue and perhaps increase within the public sector.

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III. Current State of HR

To better understand how transformation is working in the public sector, we first need to define HR operating models. Respondents were asked to describe the current operating model being utilized in their organization. Organizations may move toward a particular model or move specific HR functional areas within a particular model in the course of transformation. Our interest lies in which organizations are using particular models, what functional areas are most likely to be included in these models and what other factors influence these decisions.

HR Operating Models

Distributed Services: In this model, each agency controls basic administrative or support functions. Solutions for such tasks as hiring are geared to the specific needs of each agency. **Five percent of respondents utilize a distributed services model.**

Shared Services: In this model, administrative and support functions provided are on a self-serve basis from a consolidated stand-alone system operated by personnel, which focuses on policy oversight, analysis and consultation services to its customers. This model pools internal skills/resources and/or leverages outside services and common IT systems in order to enforce standards and exploit economies of scale. **Fifty-eight percent of respondents operate in a fully or partially shared services environment.**

Outsourcing: This sourcing approach assumes that the organizational activities/in-house workload will be contracted out to the vendors or suppliers who specialize in these activities. External firms offer either piece-meal solutions (payroll) or more comprehensive, end-to-end solutions across the HR function. **Sixteen percent of respondents utilize outsourcing for some, but not all, functions.**

Blended Services: This model refers to some combination of shared and outsourced services. **Twenty-one percent of respondents operate in a blended services environment.**

The functional areas that fall under these models are similar. Benefits and workers' compensation are among the top three functional areas to be included in either a shared services or outsourcing model. Recruitment rounds out the top three for shared services and retirement plan management is among the top three for outsourcing. Interestingly, respondents also indicated that benefits and recruitment are the two functional areas in which transformation is most likely to already be complete. A shift toward a shared services or outsourcing model may have been part of this completed transformation. And, 56 percent of respondents with a fully or partially shared services model included workforce planning in that model. None of those organizations utilizing outsourcing are doing so with workforce planning.

Previous studies indicate that size may be a factor in utilizing shared services or outsourcing models especially as it relates to the different needs of larger organizations. To that end, we also examined the models utilized by the largest organizations responding to the survey. Almost half (48 percent) of those organizations serving more than 500,000 constituents use a shared services model; while 26 percent outsource some services, 17 percent have a blended services model and 1 percent have distributed services. Within these larger organizations, benefits, payroll and recruitment were the functional areas most likely to be included in the shared services model while payroll, benefits and retirement plan management were most likely to be included in the outsourcing model.

HR outsourcing is still not the norm and most public sector organizations are more readily utilizing shared services.
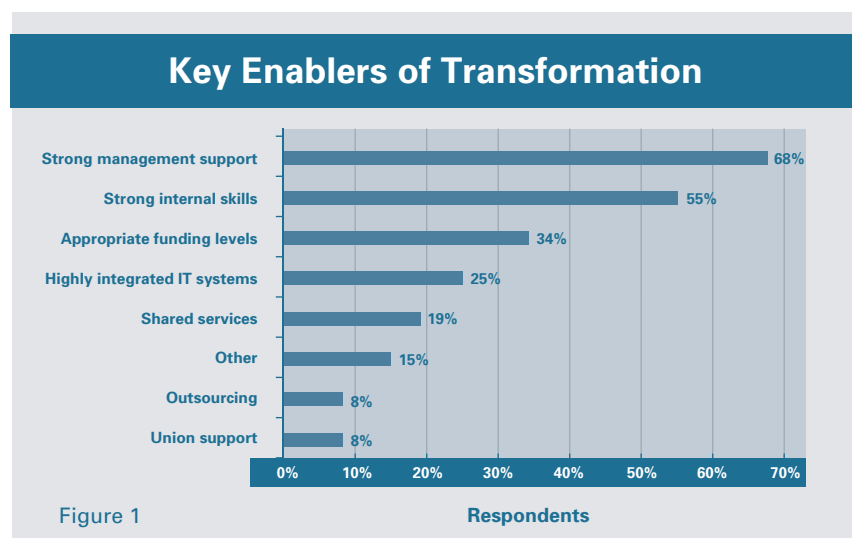
Previous EquaTerra research focusing on transformation within HR found that outsourcing in HR is less likely to be utilized at the local level than at the state or federal levels. The federal respondents of this study were most likely to be outsourcing some services while state respondents were more likely to be operating in a fully to partially shared services environment. The overall study echoes previous results in that HR outsourcing is still not the norm and most public sector organizations are more readily utilizing shared services. See EquaTerra's July 2005 study, titled "Transforming Human Resources: Realities, Futures and the Role of BPO," for additional information.

While a smaller number utilize outsourcing, additional analysis indicates that outsourcing is happening at all respondent levels from local municipalities to federal entities. Recent studies indicate that public sector organizations often pursue outsourcing because it is mandated. If an HR professional did not independently make the decision to pursue outsourcing, they are less likely to consider it as part of their transformation strategy, which may impact results related to the recognition of outsourcing as a potential tool.

Do these organizations recognize outsourcing as a potential tool for transformation? Respondents were asked to define both recent efforts to improve HR and key enablers of transformation. In both cases, outsourcing ranked very low. Only 7 percent said that outsourcing was part of their recent efforts to improve HR. Similarly, only 8 percent identified outsourcing as a key enabler of HR transformation. Outsourcing often carries a negative connotation in the public sector, especially as some equate outsourcing with offshoring, or the contracting of services that are delivered by a third party located outside of the organization's jurisdiction or with operations delivered outside of the jurisdiction. Even when organizations are outsourcing some services, this negative stigma can prevent recognition of outsourcing as a potential tool. Further, some organizations may have outsourced specific functional areas in the past and no longer recognize those areas as having once been delivered in-house.

Shared services is more readily acknowledged than outsourcing, but obviously still lacks visibility as a tool for transformation.

One would expect recognition of shared services as a tool for transformation to be slightly higher among respondents, especially due to the number of organizations with shared services models in place. Shared services is definitely more readily acknowledged than outsourcing, but obviously still lacks visibility as a tool for transformation. Eleven percent of respondents identified moving toward a shared services model as a recent effort undertaken to improve HR. Nineteen percent of respondents consider shared services as a key enabler of transformation. Respondents indicated that management support, strong internal skills, funding and IT were more important factors than both shared services and outsourcing for pursuing transformation (see Figure 1).

Key Enablers of Transformation

Category	Respondents
Strong management support	68%
Strong internal skills	55%
Appropriate funding levels	34%
Highly integrated IT systems	25%
Shared services	19%
Other	15%
Outsourcing	8%
Union support	8%

Figure 1   Respondents
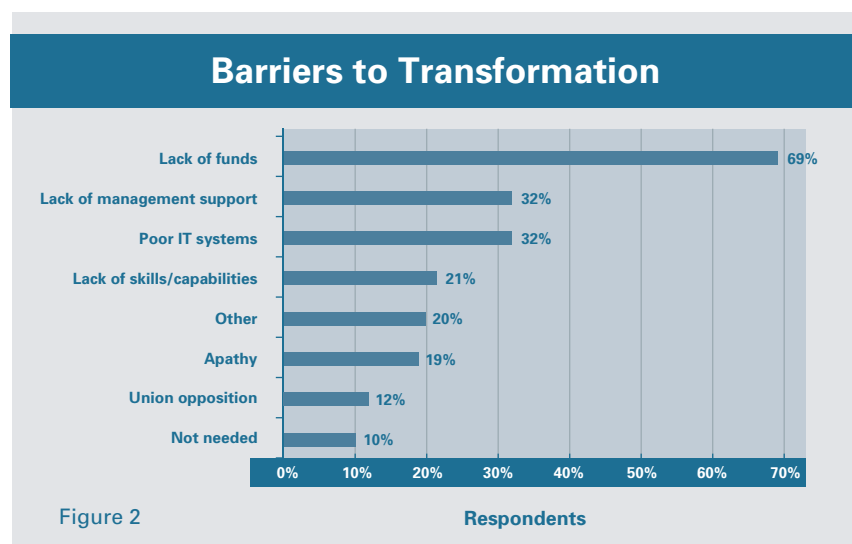
Organized Labor

Union and organized labor agreements are recognized as a factor that may impact an organization's decision to transform HR. Thirty-nine percent of respondents indicated that none of their organization's workforce is covered by union agreements while 24 percent of respondents indicated that more than the majority of their employees, over 75 percent, are covered by some type of agreement. For those organizations without any union involvement, 58 percent operate under a fully or partially shared services model while 18 percent outsource some services – very close to the overall survey results. Organizations with heavy union involvement were also close to the overall survey results with 52 percent using shared services and 13 percent outsourcing some services.

Overall, respondents indicated that union support, or the lack thereof, is not a critical factor in pursuing transformation. Only 12 percent of respondents cited union opposition as a major barrier to transformation. Compare this with the 69 percent that said a lack of funds is the most significant barrier and it is obvious that unions have minimal influence over transformation, according to our respondent data. Likewise, only 8 percent of respondents indicated that union support is a key enabler of HR transformation. In organizations where union involvement is broad, unions have more influence around HR operations and decisions but minimum influence on transformation efforts.

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IV. Barriers to Transformation

Much of this study focused on defining those factors that public sector HR professionals identified as barriers to transformation. This section explores the following key issues in HR transformation:

- Perception of HR and gaining management support for transformation
- The role of information technology in improving HR
- Lack of adequate resources for transformation

Barriers to Transformation

Barrier	Percentage
Lack of funds	69%
Lack of management support	32%
Poor IT systems	32%
Lack of skills/capabilities	21%
Other	20%
Apathy	19%
Union opposition	12%
Not needed	10%

Figure 2 — Respondents

Perception of HR

When asked about quality within HR, respondents ranked the overall quality of HR staff and processes high. On a scale of one to five (one being low quality and five being high quality), HR staff had a mean rank of 4.4 and processes had a mean rank of 3.8. HR professionals believe they have quality people and processes in place. When asked about leadership's overall satisfaction with HR service delivery, 75 percent of respondents ranked leadership satisfaction high at a 4 or 5 (on a scale of one to five). HR professionals evidently feel that management is satisfied. So why does HR struggle to gain support for transformation and other process improvements?

"Without management support, HR transformation stands little chance of taking place," said Glenn Davidson, EquaTerra's lead for public sector. "Not only is executive backing critical to securing the required resources – be they people, technology or funds – change is difficult to achieve without it."

We begin with the concept of management support because this issue influences the other identified barriers. If management does not support transformation it is also not likely to support the transformation of HR-related IT systems or applications to aid in these efforts. Likewise, if management does not buy into the need or importance of transformation, additional resources will not be allocated in support of these efforts and, if anything, funds may be directed away from HR. A resounding 69 percent of respondents named strong management support the most important enabler of HR transformation (referring back to Figure 1).

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In Figure 2, respondents indicated that lack of management support is a significant barrier to transformation. Further, when asked why HR transformation was not considered important, 30 percent of respondents cited "executive apathy" as a factor. So where is the disconnect among management? The dilemma may be less about management's perception of HR and more about the urgency in dedicating time and resources for transformation in other areas. The same challenges that exist for HR professionals may also exist for the organization as a whole with potentially more severe impacts in other areas.

Management's perception of HR is noticeably a struggle when 48 percent of respondents feel HR is not viewed as a strategic partner. Management may be focusing more on the support services that HR delivers rather than on any underlying strategic actions. HR becomes recognized more for its specific transactions rather than as being a strategic partner. But management may not be completely to blame. When respondents were asked to rank their HR departments on success in performing as a strategic asset to the organization as a whole, the mean rank was 3.6 (on a scale of one to five, with one being not successful and five being very successful). Further, more than half of respondents (55 percent) do not have a strategic plan.

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"Witness the conundrum HR faces in the public sector," added Davidson.   "Unless transformation is initiated – via the deployment of new technology and adoption of alternative service delivery and sourcing models – HR professionals will continue to spend most of their time handling non-strategic, transaction-processing work. And unless they are viewed as a strategic asset to the organization, they will never command the respect and resources they need to undertake transformation."

Alignment between HR and management may also impact perception and management's willingness to support HR. Respondents were also asked about alignment between HR priorities and those of the organization's leadership. The majority of respondents – 76 percent – ranked alignment at a 4 or 5 (on a scale one to five, with one being not aligned and five being closely aligned). Despite the perception of close alignment between HR and the organization's leadership priorities, related results indicate that alignment may not translate to being perceived as a strategic asset. Further, while HR professionals may feel their priorities are aligned with those of leadership, leadership may not agree. Without an explicit mandate to transform, HR professionals are likely competing for the attention of leadership to gain necessary resources and funding to support transformation in HR rather than in other areas.

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Finally, when respondents were asked what factors could make their organization reconsider HR transformation, 32 percent said new management could cause their organization to reconsider. This is a telling comment given that some HR professionals may feel management's influence is so great that "waiting out" current management is the only option. Although not covered in this study, some HR professionals and departments may not only lack management support but may face management opposition. For some departments, new management could be the most important factor in pursuing transformation.

Inadequate and Antiquated Information Technology

The importance of effective IT within HR emerged as a key underlying theme in this study. Antiquated legacy systems impede process improvement and transformation efforts. Advanced IT applications and equipment may positively impact a variety of transformation efforts. Advanced IT can also assist in automating tasks, improving

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the speed and efficiency of core transactions and enhancing information sharing. Respondents identified process improvements, the implementation of new IT and cutting costs as the three most important activities in improving HR effectiveness and efficiency to date. The same three activities were identified when asked about improving HR efficiency and effectiveness over the next two years.

Referring to Figure 3, further analysis into current use demonstrates some similarities between the organizations with either comprehensive or limited use of IT. The majority (63 percent) of organizations with comprehensive use identify themselves as a local municipality, city or county. These organizations are largely (78 percent) operating under a fully shared services model, and for 31 percent, HR IT is within this model. The remaining organizations with a comprehensive HR IT system are operating under a partially outsourced services model. Only about one third (33 percent) of these organizations reported that HR IT had already been transformed. The breakdown for those organizations with limited IT is similar to the majority (80 percent) identified as a local municipality, city or county. Eighty-five percent of these organizations operate under a fully or partially shared services model with 47 percent including HR IT in this model. The remaining organizations use a partially outsourced services model. Only two of these organizations reported that HR IT had already been transformed.

Current Use of IT

Figure 3
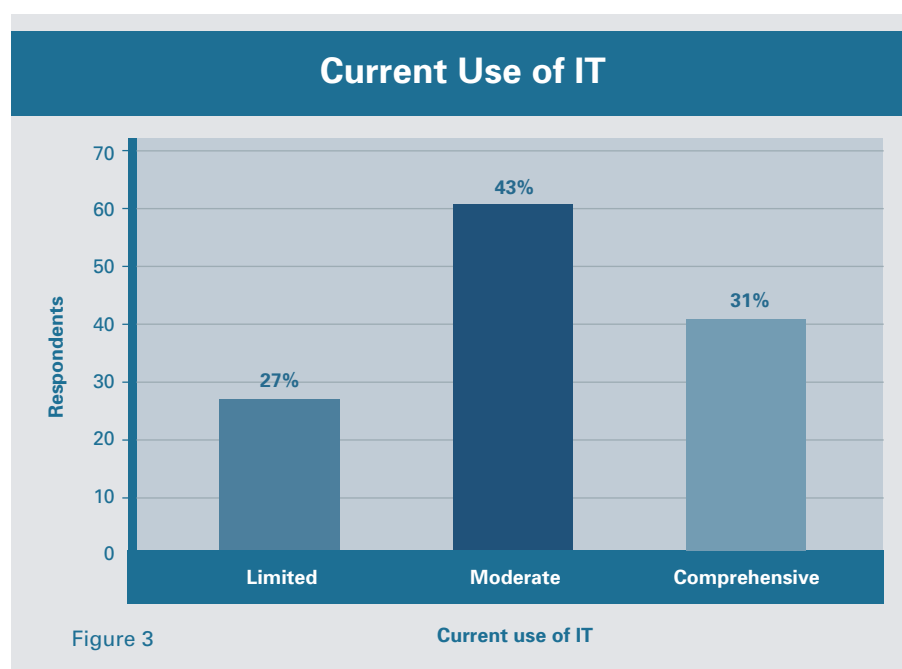
When describing the current state of HR IT, it is also important to point out that less than half (44 percent) of the HR professionals surveyed indicate they have influence over IT-related decisions. Despite the fact that IT is consistently identified as a key activity in improving HR, HR professionals often do not play an active role in IT. Respondents were also asked to gauge their overall satisfaction with IT staff, processes and systems/applications. On a scale of one to five, with one being low and five being high, respondents ranked IT staff moderately high at a mean rank of 3.8. Meanwhile, IT processes were ranked slightly lower at 3.4 and systems/applications at 3.2. These results are consistent with the expressed need for IT improvements and upgrades.

While HR may be moderately satisfied with IT staff and even processes, the systems and applications are usually the most important factor in regard to transformation. These results help to illuminate a key dilemma that many HR professionals often

Saddled with inadequate systems, HR professionals do not have the influence or authority to make decisions or changes related to IT. At the same time, for HR functional areas, IT may be a critical part of any transformation effort. Many HR departments may be pursuing transformation without being able to utilize or incorporate one of the most powerful potential tools – advanced IT.

confront. Saddled with inadequate systems, HR professionals do not have the influence or authority to make decisions or changes related to IT. At the same time, for HR functional areas, IT may be a critical part of any transformation effort. Many HR departments may be pursuing transformation without being able to utilize or incorporate one of the most powerful potential tools – advanced IT. The longer HR is left out of the IT decision process, the more likely HR will continue to struggle with inadequate systems. Referring back to Figure 2, it comes as no surprise that almost one third of respondents named poor IT systems as a major barrier to transformation.
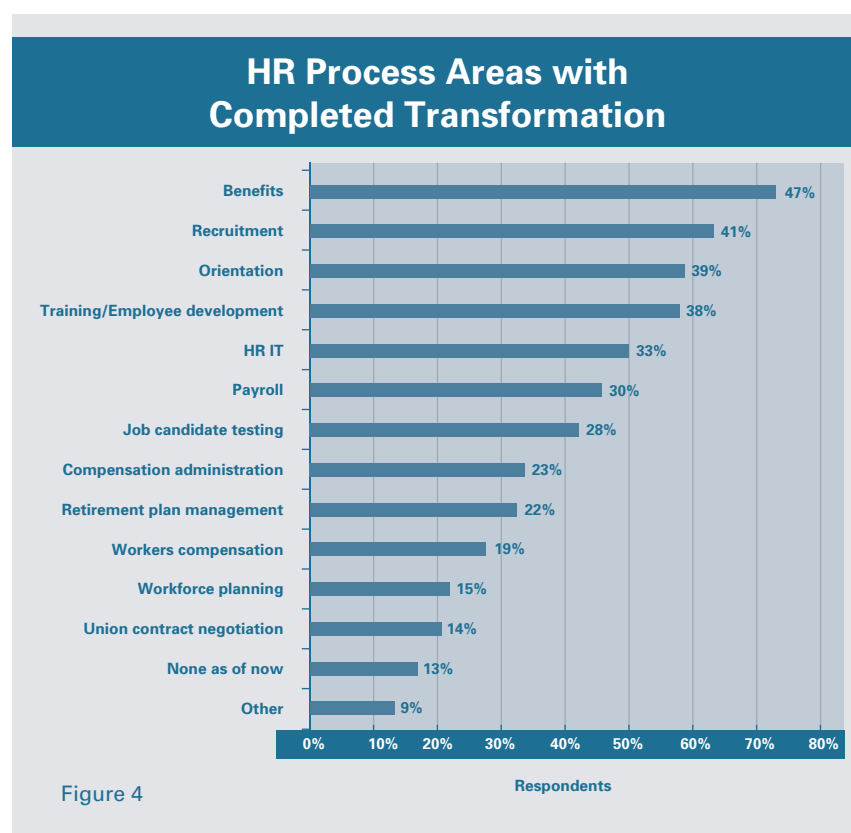
Cost to Transform

Cost is obviously an enormous factor for public sector organizations interested in HR transformation. Lower-cost options were named by 47 percent of respondents as a reason that would cause their organization to reconsider HR transformation. Likewise, in their responses to why HR transformation is not considered important to their organization, 42 percent indicated transformation was too expensive. If organizations had better information about transformation options and pricing, perhaps they could expand their scope of tools and methods for improving and enhancing HR operations and service delivery.

"Cost is always an issue for organizations pursuing process improvement and transformation in both the public and private sectors. There are two challenges related to cost: One is their actual funds available to support transformation; the second is whether those desiring transformation can make the business case to executive management to gain access to needed funds. If the former is the case, then organizations may have to curtail process improvement and transformation efforts or get creative about how to gain funding. This could include pursuing efforts jointly across departments/agencies to pool resources. It could also mean more strongly considering external shared services or outsourcing efforts where a third party provides some of the upfront funding. If the latter is the case, as it often is relative to human resources operations, then HR management needs to regroup their efforts to build and sell a business case. This is challenging if HR is not viewed as strategic and/or doesn't 'have the ear' of management. A solid business case, however, places the onus on executive management to rationalize why process improvement and transformation is not needed as opposed to HR management stating why it is," said Stan Lepeak, Director of Research and Knowledge Services at EquaTerra.

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Referring back to Figure 1, when asked about key enablers of pursuing transformation, respondents ranked "appropriate funding" a distant third behind "management support" and "strong internal skills sets." These results may indicate that in some organizations, management's support is most important due to their control over funding decisions and allocation. In addition, in terms of internal skill sets, some HR professionals may see this as another transformation option if additional funding is simply not available. Instead of looking outside the organization for assistance or even to tools such as IT, an HR professional may choose to rely on the skills of existing staff to lead transformation. Interestingly, for those HR departments under a mandate to transform, several respondents indicated this mandate was given by internal HR staff.
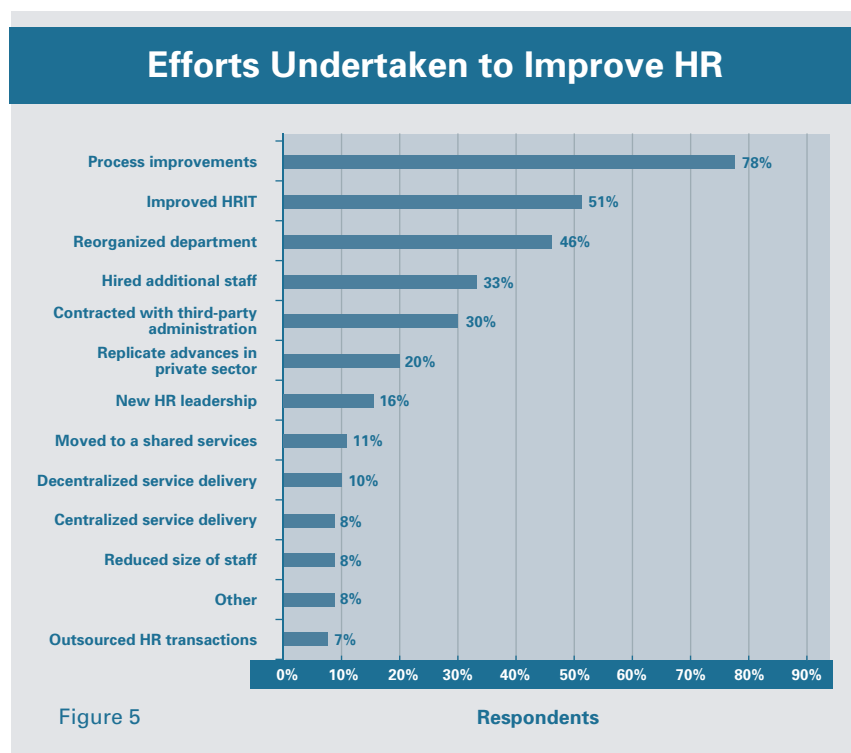
V. HR Transformation – Current and Future

The barriers to transformation are numerous and challenging and most HR departments are under no mandate to transform. So why do it?   Perhaps some organizations have learned to work around these impediments or to focus on specific areas that require a smaller initial investment of funding or staff. The fact remains, many organizations have already accomplished significant transformation in a variety of areas including benefits, recruitment and orientation (see Figure 4). Benefits management is a likely candidate for transformation due to the significant potential costs involved. Respondents also ranked managing benefits costs as the number-one priority for their HR departments.

HR Process Areas with Completed Transformation

HR Process Area	Respondents
Benefits	47%
Recruitment	41%
Orientation	39%
Training/Employee development	38%
HR IT	33%
Payroll	30%
Job candidate testing	28%
Compensation administration	23%
Retirement plan management	22%
Workers compensation	19%
Workforce planning	15%
Union contract negotiation	14%
None as of now	13%
Other	9%

Figure 4

In the next year, respondents indicate that they plan to pursue transformation in a variety of areas with the most likely being recruitment (27 percent), training and employee development (26 percent) and orientation (25 percent). When looking beyond the next year, workforce planning (29 percent), compensation administration (26 percent) and training and employee development (26 percent) are the areas that will most likely see transformation.

Tools for Transformation

The results depicted in Figure 5 provide further evidence of the key themes explored throughout this report.

Efforts Undertaken to Improve HR

Effort	Percentage
Process improvements	78%
Improved HRIT	51%
Reorganized department	46%
Hired additional staff	33%
Contracted with third-party administration	30%
Replicate advances in private sector	20%
New HR leadership	16%
Moved to a shared services	11%
Decentralized service delivery	10%
Centralized service delivery	8%
Reduced size of staff	8%
Other	8%
Outsourced HR transactions	7%

Figure 5   Respondents

The attention on IT also points to a possible over emphasis or reliance on IT. Some HR leaders may have unrealistic expectations for IT and anticipate being able to fix processes simply by purchasing a new piece of equipment or advanced piece of software.

IT plays an important role in transformation and improvement within HR. Yet, despite the frequency with which HRIT improvement efforts are cited, poor IT systems levels are still high (referring back to Figure 2). The attention on IT also points to a possible over emphasis or reliance on IT. Some HR leaders may have unrealistic expectations for IT and anticipate being able to fix processes simply by purchasing a new piece of equipment or advanced piece of software.
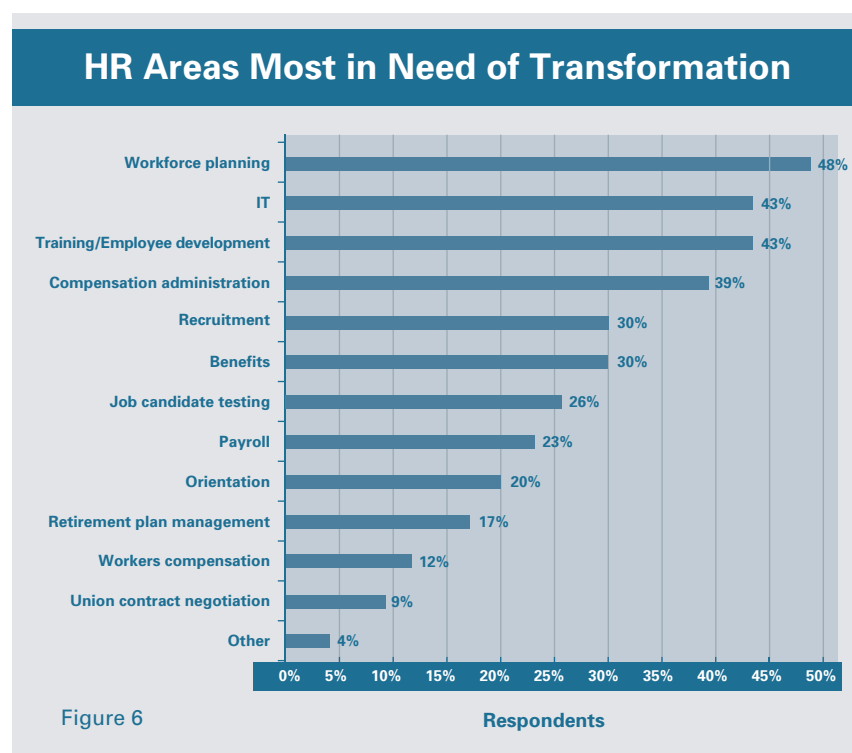
Outsourcing is not a widely recognized tool, despite the fact that public sector organizations utilize this model in some cases. Further, shared services and outsourcing both ranked extremely low as being important for past and future improvements in HR effectiveness and efficiency. Interestingly, 10 percent identify decentralizing service delivery as part of their recent efforts while 8 percent identify centralizing service delivery.

Transformation and Workforce Planning

Respondents' insight on future transformation efforts lends credence to the growing importance of workforce and succession planning for public sector organizations. With an aging workforce and an increasing number of employees eligible for retirement, public sector organizations are especially unequipped to deal with rapid turnover. Respondents ranked workforce and succession planning as the third most important priority for their HR department. These organizations are likely struggling with how to transform these areas especially given constraints on time and resources.

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"Organizations readily acknowledge that their employees are their most valuable assets. Given the current workforce demographics, there is a critical need for workforce planning and succession planning. This represents an opportunity and challenge for human resources professionals to undertake a leadership role in assisting their organizations. Of course, to do this successfully will require management support and sufficient resources. If human resources professionals are successful in focusing the workforce and succession planning efforts of their organizations, it will go a long way toward moving them in the direction of being seen as strategic business partners," observed Neil Reichenberg, Executive Director of the International Public Management Association for Human Resources (IPMA-HR).

HR Areas Most in Need of Transformation

HR Area	Respondents
Workforce planning	48%
IT	43%
Training/Employee development	43%
Compensation administration	39%
Recruitment	30%
Benefits	30%
Job candidate testing	26%
Payroll	23%
Orientation	20%
Retirement plan management	17%
Workers compensation	12%
Union contract negotiation	9%
Other	4%

Figure 6

Another study conducted by EquaTerra, "Improving Human Capital in the Public Sector: HR Services Delivery Strategies for the New Millennium," released in April 2006, found similar themes with succession planning named as the HR area needing the most improvement. As apparent in Figure 6, both training and employee development and workforce planning are key transformation priorities in the next several years.

Measuring Transformation Success

Since most organizations have already completed some HR transformation, respondents were also asked about measuring the success of these efforts. With management support being such a critical component it would follow that measuring the impact and success of HR transformation would be a priority. Seventy-four percent of respondents named higher customer satisfaction as the most important indicator of success, followed by cost reductions (41 percent) and higher retention (40 percent). Other responses included greater efficiency, increased accountability, speed of service delivery and meeting strategic goals.

While customer satisfaction was identified as a key indicator, only 37 percent of

respondents are conducting an internal customer satisfaction survey. This is a commonly found disconnect between citing the value of customer satisfaction and actually taking the time to determine those satisfaction levels. It is a reminder that organizations should not attempt to measure success using metrics they are unable or unwilling to measure and track. Sixty-three percent of respondents do not conduct any kind of internal customer satisfaction survey. Of those HR departments that do conduct a survey, only 30 percent conduct the survey annually and 47 percent conduct a survey only as needed. Obviously, measuring the success of transformation also presents a challenge; and, for an organization struggling to even pursue transformation, these measurements are likely an afterthought.

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VI. Conclusion

While most HR departments are under no explicit mandate to transform their operations – though it is likely that implicit mandates do exist – they continue to do so. The study results demonstrate the complex and often enormous barriers that organizations face, but also highlight some of the internal issues that can threaten these efforts.

Success in HR transformation will come through a re-evaluation of the existing HR processes and operating model.

Success in HR transformation will come through a re-evaluation of the existing HR processes and operating model. Alternate models like outsourcing or shared services must be more frequently evaluated as a potential means of transforming specific services. Organizations need to look at peer organizations, and even the private sector, to better understand what models are working well and to determine how different methods and tools may translate to serve their own needs. The experience of other organizations, especially in challenging areas such as workforce planning, may help organizations to expand the scope of options for transformation. A thorough assessment of potential tools may also prevent organizations from making costly mistakes and improve the overall management of the transformation process or the transition to a new model.

Organizations must also begin to think more strategically about transformation, especially for those that struggle with dwindling resources. Internal assessments of HR's current operations and capacity will allow HR leaders to more accurately identify priorities for transformation and changes in processes or models that may lead to improvements in other areas. For example, upgrades and improvements in IT applications, systems and operations may lead to lasting efficiencies across multiple functional areas. An effective internal assessment may help a department to more fully utilize an existing IT system and apply other assets, such as strong employee skills, to lead improvements. Further, developing a transformation strategy will enable organizations to understand and anticipate the intended outcomes of their efforts, the potential cost savings and the impact on the organization as a whole. This information may justify the cost of some efforts or aid in decisions on how to allocate resources. Incremental, lower-cost improvements today can serve as the foundation for greater advances in the future.

Most of all, organizations must determine how to build a solid business case and gain the consensus and momentum needed to drive transformation. Inherent to this effort is tracking and measuring the success of HR improvement and transformation efforts and the impact of these changes on the organization as a whole.

Most of all, organizations must determine how to build a solid business case and gain the consensus and momentum needed to drive transformation. Inherent to this effort is tracking and measuring the success of HR improvement and transformation efforts and the impact of these changes on the organization as a whole. HR professionals that rely on the support of management must identify new strategies to capitalize on their efforts, leverage their success and gain buy-in on the importance of HR.

This study is the first in a series of research projects led by IPMA-HR. Upcoming studies, to be released later in 2006, will address issues including "Information Technology in the Public Sector" and "The Aging Workforce within Human Resources."

VII. Report Scope and Research Methodology

EquaTerra conducted this research during March 2006 with an online survey instrument. Over 200 public sector HR executives responded to the survey. This survey targeted senior HR officials, with 64 percent of respondents identifying themselves as the Human Resources (HR) or Personnel Director. Other titles included Deputy or Assistant Director of HR and Manager of HR. Among all of the respondents, 60 percent of respondents identified themselves as the primary decision maker for their organization's HR.

To better understand the role of each respondent in his/her organization and the ability to influence transformation, we asked each respondent to describe the areas in which they have decision-making influence. The majority of respondents (more than 92 percent) indicated their decision-making influence over strategy while 73 percent have influence on decisions related to sourcing. These results should be considered within the public sector context in which these professionals function. The bureaucratic nature of most public sector organizations and the decision-making process itself impacts and likely limits these levels of influence.
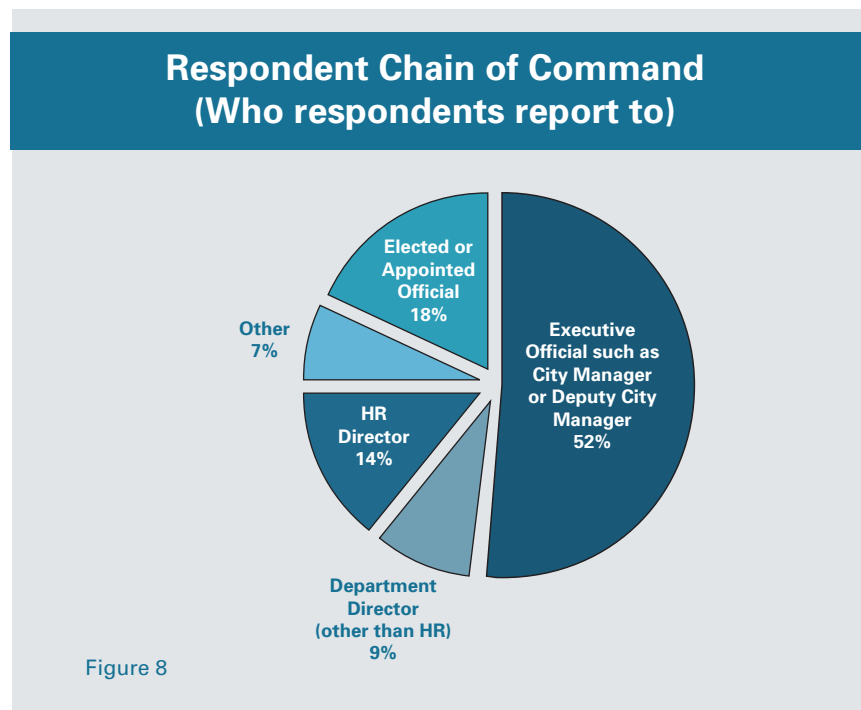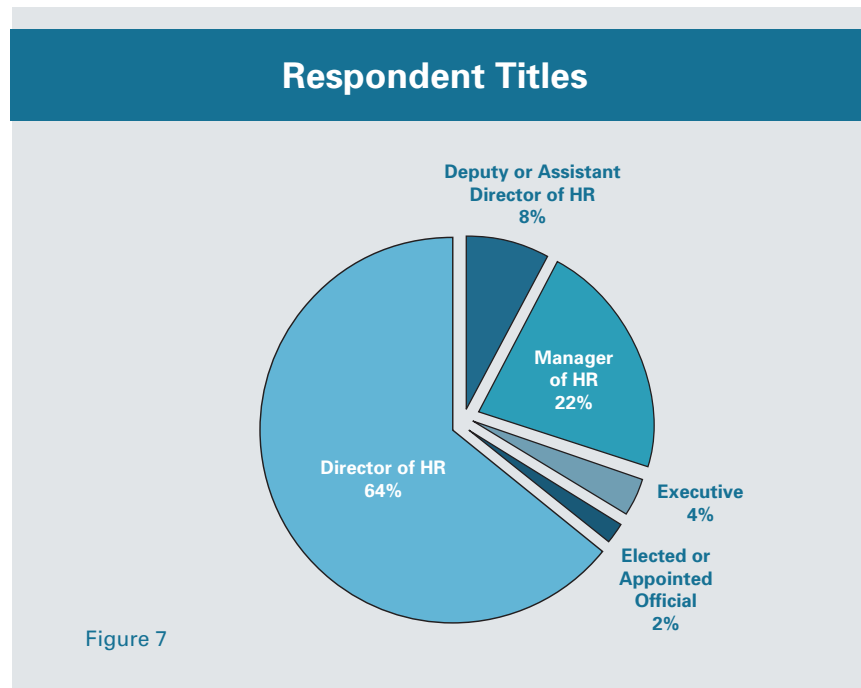
Overview of survey respondents:
  a. 75 percent were local government, municipality, city or county
  b. Other respondents included state and federal entities, universities or colleges, school districts or other special districts
  c. 71 percent serve between 10,000 and 499,999 constituents

The Appendix of this report provides additional survey respondent demographics.

VIII. Appendix

Figures 7 through 10 provide additional demographic information on survey respondents.
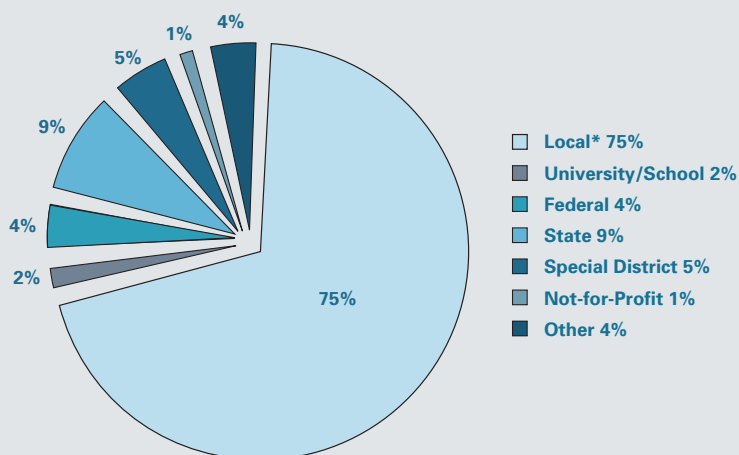
Respondent Titles

Deputy or Assistant Director of HR
8%

Manager of HR
22%

Director of HR
64%

Executive
4%

Elected or Appointed Official
2%

Figure 7

Respondent Chain of Command (Who respondents report to)

Elected or Appointed Official
18%

Other
7%

HR Director
14%

Executive Official such as City Manager or Deputy City Manager
52%

Department Director (other than HR)
9%

Figure 8

IPMA-HR
INTERNATIONAL PUBLIC MANAGEMENT
ASSOCIATION for HUMAN RESOURCES

Respondent Organization Category

Local* 75%
University/School 2%
Federal 4%
State 9%
Special District 5%
Not-for-Profit 1%
Other 4%

Figure 9

* Local includes Local Municipality/City; County; and Town/Township/Village governments

Respondent Organization Size

Under 10,000 individuals
10,000-49,999
50,000-99,999
100,000-499,999
500,000-999,999
1,000,000-3M
3M+ individuals

Figure 10

IPMA-HR
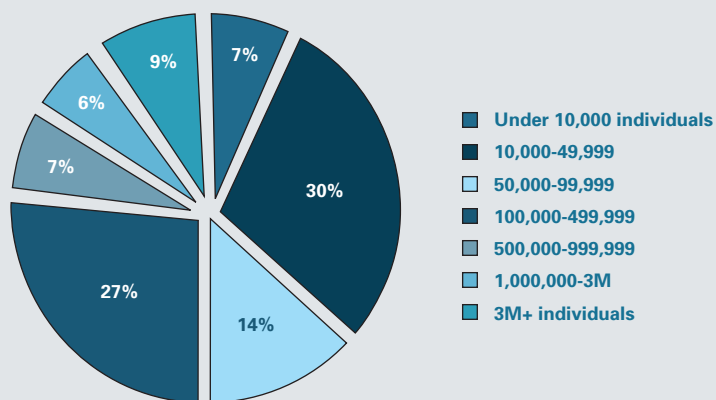INTERNATIONAL PUBLIC MANAGEMENT
ASSOCIATION for HUMAN RESOURCES

IX. About the Organizations Responsible for this Report

About The International Public Management Association for Human Resources

The International Public Management Association for Human Resources (IPMA-HR) is a non-profit organization representing the interests of over 7,500 human resource professionals who work primarily in the public sector. IPMA-HR members are employed at all levels of government within the United States and other countries and international organizations. The mission of IPMA-HR is to provide human resource leadership and advocacy, professional development, information and services to enhance organizational and individual performance in the public sector. To further this mission, IPMA-HR provides a wide range of resources including publications, research, assessment, professional development programs, and certification. IPMA-HR is recognized for providing human resource leadership that makes a difference in the public sector. To learn more about IPMA-HR go to: http://www.ipma-hr.org.

About ACS

ACS, a global FORTUNE 500 company with more than 55,000 people supporting client operations reaching nearly 100 countries, provides business process outsourcing and information technology solutions to world-class commercial and government clients. The Company's Class A common stock trades on the New York Stock Exchange under the symbol "ACS". ACS makes technology work. Visit ACS on the Internet at www.acs-inc.com.

About EquaTerra

EquaTerra (www.EquaTerra.com) is focused solely on providing global enterprises with outsourcing and insourcing advisory, research and governance services that enable them to achieve service delivery excellence for their IT and business processes. EquaTerra's advisors average more than 20 years of industry, service provider and process experience with functional leadership in Finance & Accounting, HR, IT and Procurement, and have been involved in over 600 global business transformation, outsourcing and outsourcing management projects.

For more information on EquaTerra's public sector capabilities, please contact Glenn Davidson at: glenn.davidson@equaterra.com or +1 202.904.2311; or go to: www.EquaTerra.com.

For more information on EquaTerra's research and knowledge services, please contact Stan Lepeak, at stan.lepeak@equaterra.com or +1 203.458.0677.